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DEPARTMENT FOR EAP/CM, INR/EAP
NSC FOR WLDER

E.O. 12958: DECL: 9/7/2032

TAGS: PGOV PREL PINR CH

SUBJECT: COMMENTS ON FORMER SHANGHAI PARTY SECRETARY CHEN LIANGYU'S CORRUPTION CASE

CLASSIFIED BY: Simon Schuchat, DPO, Amcongenl Shanghai, DOS.
REASON: 1.4 (b), (d)

¶1. (C) Summary: A Shanghai legal expert told us that Chen Liangyu's corruption case represented a serious loss of face for Shanghai. Politically, Shanghai was too important to be allowed to differ from Beijing. Our interlocutor predicted that Chen would be sentenced to 20 years imprisonment, and might be transferred to house arrest after 8 years in jail. End summary.

¶2. (C) On September 6, DPO discussed the ongoing corruption case of former Shanghai Party Secretary Chen Liangyu with Shen Guoming (please protect), Director of the Legal Affairs Committee of the Standing Committee of the Shanghai Municipal People's Congress, and concurrently a Vice President of the Shanghai Academy of Social Sciences.

¶3. (C) Shen, who raised the subject during conversation at a banquet attended by, inter alia, Shanghai Mayor Han Zheng, said that Chen Liangyu's case was a major loss of face for Shanghai, which by virtue of its relatively high degree of economic and social development, ought to be free of such serious corruption. Shen argued that "rule of law" consciousness was more advanced in Shanghai than anywhere else in China, although nevertheless not as strong as in Hong Kong.

¶4. (C) Chen was initially investigated for unauthorized investments of the Municipal Social Security funds. DPO observed that according to some reports, all the monies had been repaid to the fund, which had suffered no loss. Shen responded that there had been a loss, and in any case, Chen's most serious embezzlement had involved turning over city lands to his brother for development. This land was worth millions of RMB, which went to the Chen family and not the state.

¶5. (C) DPO noted that, even before Chen Liangyu's initial detention in September 2006, the Hong Kong press had widely reported his defiance of Premier Wen Jiabao with respect to China's overall development policy, and that many observers believed that had been a key factor in his case. Shen responded that before his fall from power, Chen had ranked 20th in the national Communist Party hierarchy, and it was crucial that the

Party maintain unity. Furthermore, the national leadership had to maintain a close relationship with Shanghai's leadership. Shanghai currently provides one-sixth of the central government's revenues and is politically very important. Shanghai officials have a generally higher level of educational and other qualifications, and are frequently brought to Beijing to take on national responsibilities. This has been the case no matter what policies the center pursued.

¶6. (C) Shen thought that Chen's case was more serious than that of former Beijing Mayor Chen Xitong (who was removed from the Politburo and given a 16 year sentence for corruption in the 1998, and was released "on medical parole" in 2006). Shen predicted that Chen would be sentenced to 20 years imprisonment.

In such high-level cases, it was generally the case that the offender would be released into house arrest after serving 8 years of their prison sentence.

¶7. (C) Comment: Shen did not explicitly say when Chen's trial would take place, but implicit in his raising the topic seems to be that it is either already underway, or to begin very soon.

End comment.

JARRETT